



NORTH CAROLINA GENERAL ASSEMBLY

Session 2021

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Sen. Newton, Sen. Rabon, and Sen. Daniel
Analyst(s): Jennifer Ford
RE: House Bill 951 (Unknown Edition)

SUMMARY TABLE

FISCAL IMPACT OF H.B.951					
	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>
State Impact					
Special Fund Revenues	\$394,054	\$585,371	\$598,954	\$618,670	\$637,657
<u>Less Expenditures</u>	<u>\$394,054</u>	<u>\$585,371</u>	<u>\$598,954</u>	<u>\$618,670</u>	<u>\$637,657</u>
Special Fund Impact	-	-	-	-	-
NET STATE IMPACT	-	-	-	-	-
STATE POSITIONS	4.00	4.00	4.00	4.00	4.00

FISCAL IMPACT SUMMARY

H.B. 951, Energy Solutions for North Carolina, affects the work of the North Carolina Utilities Commission (the Commission) and the Public Staff of the Utilities Commission (Public Staff), both of which are entirely receipt-supported. The Commission and Public Staff report that implementing H.B. 951 would require a total of four additional positions. The positions are estimated to cost \$186,054 in FY 2021-22 and \$385,371 in FY 2022-23. In addition, the Commission and Public Staff would need to procure modeling software for an estimated \$200,000 a year. The Commission charges a fee to all public utilities it regulates and adjusts this fee to cover its costs on an annual basis. This analysis assumes the Commission would adjust the fee to cover the cost of implementing H.B. 951.

FISCAL ANALYSIS

H.B. 951 sets a carbon dioxide (CO₂) emissions standard for electric generating facilities owned or operated by electric public utilities in the State and requires the Utilities Commission to develop a plan to meet that standard. The bill also amends the State's rate-making process for electric public

utilities and requires the Utilities Commission to establish rules for securitization to offset the costs of early retirement of subcritical coal-fired electric generating facilities. These changes impact the work of the Commission and Public Staff. The Commission regulates the rates and services of all investor-owned public utilities in North Carolina. The Public Staff reviews, investigates, and makes appropriate recommendations to the Commission based on the reasonableness of rates charged, adequacy of service provided by any public utility, and consistency with the policy of assuring an energy supply adequate to protect public health and safety.

Section 1 of the bill requires the Utilities Commission to take all reasonable steps to achieve a 70% reduction in emissions of CO₂ emitted in the State from electric generating facilities owned or operated by electric public utilities compared to 2005 levels by 2030, and carbon neutrality by 2050. The Utilities Commission must develop a plan by December 31, 2022, to achieve this goal. The Commission and Public Staff are responsible for overseeing the plan's implementation and determining if its goals are being met, and for updating the plan every two years. Meeting these requirements will require complex modeling of production costs and emissions both for planning and compliance purposes. The modeling process requires multiple iterations to test sensitivities and ensure the plan is reliable and least cost path consistent. The Commission and Public Staff anticipate an increased workload from these requirements and the need to procure software to model resource planning and to project emissions.

Section 4 of the bill authorizes performance-based regulation of the State's electric public utilities and the use of multi-year rate plans in rate-making. The Commission and Public Staff anticipate that these changes will increase the complexity of rate cases and thereby expand the responsibilities of the Commission and Public Staff in rate cases.

Section 5 of the bill requires the Commission to establish rules for the securitization of costs associated with early retirement of subcritical coal-fired electric generating facilities. In addition, Section 5 requires the Commission to evaluate and modify existing standby service charges, revise net metering rates, establish an on-utility-bill repayment program, and establish a rider for a voluntary program that will allow customers who elect to purchase renewable energy or renewable energy credits from the electric public utility to offset their energy consumption. The Commission and Public Staff anticipate increased workloads due to these requirements, in particular due to the complexity of the securitization process.

To implement these provisions, the Commission would require one additional full-time equivalent (FTE) engineer to analyze the additional filings and proceedings. The Public Staff would require three additional FTE: a financial analyst, an engineer, and an attorney to handle the increased workload in their investigative functions. The total salary and benefits for these positions are shown in the table below.



Table 1: Total Salary and Benefit Costs for the Utilities Commission and Public Staff

Positions	Annual Salary	Social Security Cost	Retirement Cost	Health Cost	FTE	Total Salary and Benefits
<i>Utilities Commission</i>						
Public Utilities Engineer II	\$60,530	\$4,631	\$13,123	\$6,326	1.00	\$84,609
<i>Public Staff</i>						
Attorney IV	\$95,200	\$7,283	\$20,639	\$6,326	1.00	\$129,448
Financial Analyst II	\$51,895	\$3,970	\$11,251	\$6,326	1.00	\$73,442
Public Utilities Engineer II	\$60,530	\$4,631	\$13,123	\$6,326	1.00	\$84,609
Total Cost						\$372,109

The table below shows the total position costs for these FTE for each year of the fiscal note period. This analysis assumes the Commission and Public Staff will fill the positions by January 2022, requiring six months of salary for each position in FY 2021-22. The total position cost shown for FY 2021-22 is therefore half of the cost shown in Table 1 (0.5*\$372,109 is \$186,054). The costs in the later years have been adjusted for inflation using the standard inflation rates from Moody's as of December 2020.

Table 2: Position Costs for the Utilities Commission and Public Staff, FY 2021-22 through FY 2025-26.

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
FTE	4.00	4.00	4.00	4.00	4.00
Total Position Cost	\$186,054	\$385,371	\$398,954	\$418,670	\$437,657

As well as additional personnel, the Utilities Commission and Public Staff anticipate needing to procure software for production cost and emission modeling to meet the requirements of Section 1. The Commission and Public Staff stated that procuring such a software would better enable them to develop the required CO₂ emissions reduction plan, and monitor its implementation and compliance with its goals. The Commission and Public Staff each require a license at \$100,000 annually, plus a one-time \$8,000 cost for high-performance computer equipment that would be shared by the organizations. These costs are shown in the table below.

Table 3: Operating Costs for the Commission and Public Staff, FY 2021-22 through FY 2025-26

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
<i>Utilities Commission</i>					
Software license	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
<i>Public Staff</i>					
Software license	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Equipment (shared)	\$8,000				
Total Operating Cost	\$208,000	\$200,000	\$200,000	\$200,000	\$200,000

The table below shows the total costs for the Commission and Public Staff, including both position costs and operating costs, for the five years of the fiscal note period.

Table 4: Total Cost for the Commission and Public Staff, FY 2021-22 through FY2025-26

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Position Cost	\$186,054	\$385,371	\$398,954	\$418,670	\$437,657
Operating Cost	\$208,000	\$200,000	\$200,000	\$200,000	\$200,000
Total Cost	\$394,054	\$585,371	\$598,954	\$618,670	\$637,657

The Commission and Public Staff are receipt-supported. Public utilities regulated by the Commission pay quarterly regulatory fees per G.S. 62-302. The Commission increases the regulatory fee each year to cover the cost of operating the Commission plus a reserve fund, or decreases the fee if the current rates generate more revenue than needed. The Commission is also supported by federal receipts. This analysis assumes the Commission will adjust the regulatory fee so that the receipts cover the cost of implementing the provisions of H.B. 951.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

North Carolina Utilities Commission and Public Staff

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

